

FACT SHEET FOR BENEFIT ELIGIBILITY FOR NON-TAX DEPENDENT ADULT CHILDREN UP TO AGE 27

GENERAL QUESTIONS ABOUT BENEFIT ELIGIBILITY FOR NON-TAX DEPENDENT ADULT CHILDREN TO AGE 27

1. What is the change and when is it effective?

Pursuant to Wis. Stat. § 632.885, you can request coverage for your non-tax dependent adult child as a dependent on your policy when that child is not married and is not eligible for group health insurance through his/her own employer for which his/her premium contribution is less than the additional premium amount you are required to pay to insure that child on your policy. Coverage for your eligible non-tax dependent adult child is effective beginning January 1, 2010 and continues **to the end of the month in which he/she turns 27 years of age** or otherwise loses eligibility (for example, gets married), whichever occurs first.

To determine if your non-tax dependent adult child is eligible, ask yourself these questions:

- a) Is your child married?
 - If no, continue with the next question to determine if your child is eligible.
 - If yes, STOP. Your child is NOT eligible.
- b) Is your child less than 27 years of age?
 - If no, STOP. Your child is NOT eligible under this provision. However, see question 14 for information on eligibility for adult children that are 27 years of age and older.
 - If yes, continue with the next question to determine if your child is eligible.
- c) Is your child employed?
 - If no, your child IS eligible. See questions 7 and 8 for information on covering your child on your policy.
 - if yes, continue with the next question to determine if your child is eligible.
- d) Is your child eligible for health insurance through his/her employer?
 - If no, your child IS eligible. See questions 7 for information on covering your child on your policy.
 - If yes, continue with the next question to determine if your child is eligible.
- e) Determine your child's monthly premium contribution for the health insurance through his/her employer. Compare that to the additional premium amount you are required to pay to insure your non-tax dependent adult child on your policy.
 - If you need family coverage regardless of whether you choose to cover your adult child because you have other eligible dependents on your policy, you do not have to pay an additional premium amount to insure your adult child. If your child's premium cost is more than \$0, your child IS eligible. See questions 7 and 8 for information on covering your child on your policy.

- If you only need family coverage if you choose to cover your adult child because you have no other eligible dependents, your additional premium amount to insure your adult child is the difference in what you pay for single and family coverage. If your child's premium cost is more than the additional amount you are required to pay for family coverage, your child IS eligible.

Example 1: You are an active employee with UHC Choice in 2010 and receive an employer contribution for health insurance and your monthly premium is \$20 for single coverage and \$40 for family coverage. The additional premium amount that you are required to pay for family coverage is \$20 (\$40-\$20.)

Example 2: You are a general city retiree with the Basic Plan and you do receive an employer contribution for health insurance and your monthly premium is \$30 for single and \$60 for family coverage. The premium for single coverage is \$1308 and the premium for family coverage is \$2332. The premium amount that you are required to pay for family coverage is \$30 (\$60 - \$30.) Note that if your adult child is not your tax dependent for income tax purposes, the fair market value of the benefit for that insured dependent may be considered imputed taxable income to you if you receive any employer contribution towards the premium, including the use of sick leave credits. See questions 15 through 21 for more information.

2. Does this apply to all the benefit programs?

No. This applies only to the following programs:

- Health Insurance
- Dental Insurance

3. My adult child is 18 years old and in high school. He/she works part-time. Do I need to check with his/her employer to see if he/she is eligible for health insurance?

No. Dependent children remain eligible to the end of the year in which they turn 19 years of age as long as they are not married and you or the other parent provides at least 51% of their support. After that, they can be covered on your insurance policy if they meet the eligibility requirements as explained in question 1.

4. Does this mean I can cover my adult child even if he/she is not a full-time student and/or has a job?

Yes, as long as your adult child is less than 27 years of age, is not married, and is not eligible for group health insurance through his/her employer, or where his/her premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy.

5. My adult child has insurance through his/her employer but the benefits are not good. Can I cover him/her on my insurance?

The benefit level of your child's health insurance has no impact on your child's eligibility under this new law. If your adult child has group health insurance through his/her employer and your child's premium contribution is more than the additional premium amount you are required to pay to insure your adult child on your policy, you can cover your adult child on your insurance if he/she is less than 27 years of age and is not married.

6. My adult child is on COBRA continuation coverage. Can I cover him/her on my insurance?

Yes, as long as your adult child is less than 27 years of age, is not married, and if employed, is not eligible for health insurance through his/her current employer, or where the premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy. COBRA continuation coverage is not considered group health insurance through your adult child's employer for purposes of determining eligibility under this new provision.

7. What do I need to do to add my eligible adult child to my policy for coverage effective January 1, 2010?

If your eligible adult child is not currently insured on your policy, you must submit an application before January 1, 2010, to change from single to family coverage or to add your adult child. Coverage for your child will be effective January 1, 2010.

NOTE: After January 1, you can add your adult child upon any of the following qualifying events:

- Adult child's loss of other coverage
- Loss of employer contribution for adult child's other coverage
- Increase in adult child's employee contribution share that exceeds the additional premium amount you are required to pay to insure your adult child on your policy
- Adult child's divorce

You must submit the application to add your adult child within 30 days of the qualifying event.

8. My adult child is not eligible according to this information. What happens if he/she becomes newly eligible during the year because of losing his/her job, losing employer contribution for health insurance or getting a divorce?

If your child has a qualifying event that results in him/her becoming newly eligible, you can add the child to your policy by submitting an application within 30 days of the event. Your child's coverage will be effective as of the event date. Loss of other coverage, losing employer contribution for group health insurance or getting a divorce is a qualifying event.

9. You did not mention full-time student status in question 8. Can I add my adult child to my health insurance policy if he/she goes back to school full-time?

No, not by itself.

10. If I do not add my eligible adult child to my policy for coverage effective January 1, 2010, will I have any opportunities in the future to add him/her without restrictions?

Each year during the annual open enrollment period, you will have the opportunity to add your eligible adult child for the next calendar year with coverage effective the following January 1. In addition, if your adult child has a qualifying event, you can add your newly eligible adult child by submitting an application within 30 days of the event. See question 8 for more information.

11. If I add my adult child to my family policy, can I later drop him/her from the policy even though he/she is eligible?

Each year during the open enrollment period, you can decide if you wish to cover your adult child for the next calendar year. If you elect to cover your child, your child is covered for the entire upcoming calendar year or until the child loses eligibility or family coverage is terminated, whichever occurs first. For example, if your insured adult child gets married in June, your child loses eligibility at the end of the month in which he/she marries. You must timely report the loss of your adult child's eligibility to your employer so that your child has the right to elect COBRA continuation coverage. You may also drop your adult child from your policy if he/she has an initial enrollment opportunity and elects health insurance coverage through his/her employer.

12. My adult child is eligible according to this information. My adult child has children (my grandchildren). Can I also cover those grandchildren?

No. There is no change to the provision for covering grandchildren, which provides coverage for grandchildren until the end of the month in which their parent (your dependent child) turns 18.

13. I have an adult child that is 27 years of age or older. Can I cover him/her on my insurance?

Your adult child that is not married is eligible to be covered on your insurance when he/she is 27 years of age or older when he/she is:

- Incapable of self-support because of a physical or mental disability that can be expected to be of long-continued or indefinite duration as determined by the health plan and is dependent on either parent for at least 50% of their support and maintenance as demonstrated by the support test for federal income tax purposes, whether or not the child is claimed. *Note that among other criteria, the IRS requires the dependent to be permanently and totally disabled in order to be a "tax dependent". See questions 15 through 21 for more information.*
- A full-time student who was previously called to federal active duty when the child was under the age of 27 years, and while the child was attending, on a full-time basis, an institution of higher education. The child must apply to an institution of higher education as a full-time student within 12 months from the date the child has fulfilled his/her active duty obligation.

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14. How does the addition of my non-tax dependent adult child to my group insurance affect my income taxes?

If your adult child is not considered a "tax dependent" under federal law, your employer must include in your gross income the fair market value of the health insurance benefits provided to the adult child. This will likely affect your taxable income and increase your tax liability. Unless your adult child qualifies as a dependent under the Internal Revenue Code (IRC) § 152, you are taxed on the fair market value of the cost of coverage provided to that adult child. This is known as "imputed income."

15. I reviewed the information and determined that my adult child is not my tax dependent. Can I still cover him/her on my health insurance?

Yes, as long as your adult child is less than 27 years of age, is not married, and if employed, is not eligible for health insurance through his/her current employer or where the premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy. However, the fair market value of the

benefit for that insured dependent may be considered imputed taxable income to you if you receive any employer contribution towards the premium.